

**CHARTER SCHOOL FACILITIES PROGRAM  
2011 LOTTERY FUNDING ROUND  
STAFF SUMMARY REPORT – AUGUST 2014**

<b>Applicant/Obligor:</b>	Our Community School
<b>Project School:</b>	Our Community School
<b>CDS (County – District – School) Code:</b>	19-64733-0109934
<b>Proposed Project Location:</b>	10045 Jumilla Ave., Chatsworth, CA 91311
<b>Type of Project:</b>	Rehabilitation
<b>County:</b>	Los Angeles
<b>District in which Project is Located:</b>	Los Angeles Unified School District
<b>Charter Authorizer:</b>	Los Angeles Unified School District
<b>Total OPSC Project Cost:</b>	\$6,319,930
<b>State Apportionment (50% Project Cost):</b>	\$3,159,965
<b>Lump Sum Contribution:</b>	\$0
<b>Total CSFP Financed Amount:</b>	\$3,159,965
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$161,219
<b>First Year of Occupancy of New Project:</b>	2015-16

**Staff Recommendation:** Staff recommends that the California School Finance Authority (Authority) Board determine that Our Community School (OCS) is financially sound for the purposes of the Charter School Facilities Program (Program) Final Apportionment. This determination as it relates to Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon OCS electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.

**Application Highlights:** Below staff has highlighted key criteria that were evaluated when conducting our financial soundness review of OCS. Detailed information is contained in the body of the report.

<b><i>Criteria</i></b>	<b><i>Comments</i></b>
<b>Eligibility Criteria</b>	OCS meets all eligibility criteria, including having two years of operations with its initial charter having been issued in May 2005, having a renewed charter in place through June 2015, and being in good standing with its chartering authority and in compliance with the terms of its charter. Under its current charter, OCS serves grades K - 8.

<b>Demographic Information</b>	For the 2013-14 school year, OCS served 439 students in grades K-8. Through the addition of grades 7 and 8 in 2011-12 and 2012-13, respectively, OCS has grown to 322 students and 389 students during these years, respectively. Upon project occupancy in 2016-17, OCS anticipates maintaining its capacity of 439 students in grades K – 8.
<b>Debt Service Coverage</b>	OCS' projected debt service coverage meets the minimum Program requirement of 100% with 137.7% in 2016-17 and 120.2% in 2017-18.
<b>Other Financial Factors</b>	<ol style="list-style-type: none"> <li>1. Without at least 16% of its projected fund-raising and private grant revenues, OCS would not meet the Program's minimum 100% debt service coverage requirement in 2018-19. For 2012-13 and 2013-14, OCS received an average of \$230,000 per year in contributions, which is sufficient to meet the Program's debt service coverage requirement during the first two years of CSFP payments.</li> <li>2. Projected ratios of CSFP payments to total revenues are 4.1% and 4.0% for 2016-17 and 2017-18, respectively, which is within the preferred maximum range of 10-15%.</li> <li>3. Net working capital for 2012-13 of \$1.08 million represented 34.5% of total expenses, which exceeds the preferred minimum of 5.0%.</li> </ol>
<b>Student Performance</b>	OCS met its API growth targets for each of the past four years, but not all AYP criteria for four of the past four years. Based on its 2012-13 API base score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools.

**Program Eligibility:** On July 31, 2014, the Authority received verification from the Innovation and Charter Schools Division of the Los Angeles Unified School District confirming that OCS is (1) in compliance with the terms of its charter agreement, and (2) is in good standing with its chartering authority. OCS's current charter is in effect through June 30, 2015.

**Legal Status Questionnaire:** Staff reviewed OCS responses to the questions contained in the Legal Status Questionnaire (LSQ). OCS answered "Not Applicable" to all LSQ questions.

**Project Description:** Our Community School (OCS) is currently seeking Proposition 1D Final Apportionment of \$5,687,937. In April 2013, OCS requested an advance apportionment of \$631,993 for design costs. OCS has requested funding to renovate a 500-seat elementary school facility built by the Los Angeles Unified School District (LAUSD) in 1961 on 6.62 acres in the Chatsworth community of the San Fernando Valley. The facility, known as Devonshire Elementary School, located at 10045 Jumilla Avenue in Chatsworth, was "decommissioned" by LAUSD as a district school in 1984, but was leased to a private school from 1984 to 2001. OCS requested that LAUSD allow it to use at least 14 classrooms at the Devonshire site under Prop 39. LAUSD denied the request due to the Devonshire campus not having been officially designated for school use since 2001 or modernized/rehabilitated since it was first built. However, LAUSD did support the efforts of OCS to apply for Prop 1D funds to rehabilitate the site. OCS is anticipating project occupancy in 2015-16 and maintaining its current capacity of 439 students.

**Organizational Information:** OCS commenced its operations in 2005, serving 154 students in grades K-6 and has consistently grown to its current enrollment of 439 students

in grades K-8. OCS operates as an independent California non-profit corporation governed by a board made up of between seven and fifteen members that include parents, staff, administrators and community member representatives. The initial board members consisted of the three founding parents, the executive director and two community members. OCS received its first charter from LAUSD on May 24, 2005. On March 2, 2010, OCS' charter was renewed and expanded to allow OCS to serve 7<sup>th</sup> and 8<sup>th</sup> grade students. The charter will expire in 2015 and is currently in the process of renewal.

Engaging students in service learning has been a regular practice since the first year of operation. Research has shown that involvement in civic and community service increases student's commitment to school and makes them more likely to graduate high school. OCS' application presents a curriculum that uses the same framework of creating an instructional program that is informed, empowered and ethical.

**Management Experience:** Jude Stabler currently serves as Principal for OCS. Ms. Stabler joined OCS in 2005 as a lead founding teacher and became Principal in 2013. In addition to serving as the educational leader of the school, Ms. Stabler is responsible for budget oversight, evaluation of all school staff and policies, and long-term planning for OCS. Ms. Stabler has approximately 8 years of educational experience. Ms. Stabler earned a B.A. from University of Southern Mississippi along with various other teaching credentials.

Beth Wolfsbauer is currently Assistant Principal for OCS. Ms. Wolfsbauer joined OCS in 2005 and works alongside Ms. Ferris in the operation of OCS. Ms. Wolfbauer maintains an extensive educational background as an instructor and assistant school director at Valley Community Charter School, prior to her position with OCS. Ms. Wolfbauer earned a B.A. in Child Development and an M.S. in Family Environmental Sciences from California State University Northridge.

Alma Hernandez has served as Director of Operations for OCS since August 2005. Her experience includes serving as school administrative assistant at Brainard Avenue Elementary School and a special education office assistant with Sunny Brae Avenue School. Ms. Hernandez earned her Bachelor's degree from California State University, Los Angeles.

**Board Experience:** The current Board is represented by the following table.

NAME	OCCUPATION	COUNTY OF RESIDENCE	TERM
Lauren Lundy	Teacher	Los Angeles	July 1, 2015
Robin Greene (Finance)	Teacher	Los Angeles	July 1, 2015
Justin Lowman (Secretary)	Art Teacher	Los Angeles	July 1, 2015
Susan Cohen	Professor	Los Angeles	August 27, 2015
Tim Waters (Chair)	Massage	Los Angeles	June 1, 2016
Lynn Izakowitz (Governance)	Self-Employed	Los Angeles	July 1, 2015
Rob Edenzon (Development)	Business Consultant	Los Angeles	June 1, 2016
Ron Kaiser	Retired School Administrator	Los Angeles	July 1, 2015
Paul Marks	Realtor	Los Angeles	May 1, 2016
Teresa Young	Music Teacher	Los Angeles	June 1, 2015
Jude Stabiler	OCS Principal	Los Angeles	N/A
Leah Ventimiglia	OCS Panda Partners	Los Angeles	N/A

Among the Board's responsibilities are the following: strategic planning; annual budget development and approval; fiscal oversight; oversight of curricular and extra-curricular programs; and oversight of faculty and staff.

**Management Experience for Schools Open Less than Two Years:** Not applicable. OCS began instructional operations in 2005-06 and exceeds the minimum instructional requirements of two years.

**Student Performance:** Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school's financial position. Schools with improving student performance trends are viewed favorably, especially if these trends exceed threshold goals set by the school or the California Department of Education (CDE). In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) trend data generated by the CDE. The API is also used as an indicator for measuring AYP per the No Child Left Behind Act of 2001. Any school not meeting AYP targets would face additional mandates and corrective actions if the school is a recipient of federal Title I funds.

OCS has four years of reported API scores, allowing a review of progress and comparison to similar schools. The following table summarizes the school's trends in student performance.

Our Community School	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
<b>ADEQUATE YEARLY PROGRESS (AYP)</b>				
Met All AYP Criteria?	No	No	No	No
Criteria Met / Required Criteria	16 / 17	16 / 17	11 / 13	11 / 17
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	N/A	N/A	N/A	N/A
<b>ACADEMIC PERFORMANCE INDEX (API)</b>				
Met Schoolwide Growth Target?	Yes	Yes	Yes	Yes
Met Comparable Improvement Growth Target?	No	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	No	Yes	Yes	Yes
API Base Statewide Rank (10 = best)	8	7	7	8
API Base Similar Schools Rank (10 = best)	6	N/A	4	10
School's Actual Growth	3	7	20	-6
Similar Schools Median of Actual Growth	7	10	5	N/A
Did School's Growth Exceed Median?	No	No	Yes	N/A

OCS had strong API growth scores of 845, 852, 872, and 864 from 2009-10 through 2012-13, respectively. However, OCS did not meet all AYP criteria during these years, with on average 14 out of 16 criteria met. OCS did meet its API schoolwide growth targets for each of these years and its comparable growth target three of the last four. Based on its 2012-13 base API score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools. Overall, staff considers OCS' academic performance to be favorable for purposes of a recommendation for financial soundness.

**Enrollment and Retention Rates:** OCS has exhibited consistent student enrollment growth since its inception in 2005-06 with growth from 154 students in grades K-6 to 389, 438, 439, students for 2011-12 through 2013-14, respectively. With project occupancy expected in 2015-16, OCS anticipates enrollment to remain approximately 436 students in grades K-8 for the foreseeable future.

Based on the P2 Report for 2013-14, OCS achieved an average daily attendance (ADA) of 97% for the current year. For the past four years, 2010-11 through 2013-14, OCS achieved ADA rates of 96%, 95%, 96%, and 97%, respectively. Given historical ADA rates, OCS' projects ADA rates of 97% in future years. OCS currently has 120 students on its wait list. Given OCS' current wait list and enrollment of 439, Staff considers OCS' student stable enrollment projections to be reasonable.

**Financial Analysis:** Highlighted in this section are financial data and credit indicators used to evaluate OCS' ability to meet its CSFP obligations. The table below summarizes key aspects of the school's past and projected financial performance.

Our Community School	Actual FY 2011/12	Actual FY 2012/13	Actual FY 2013/14	Forecast FY 2014/15	Projected FY 2015/16	Projected FY 2016/17	Projected FY 2017/18
<b>ENROLLMENT PROJECTIONS</b>							
Enrollment	389	438	439	436	436	436	436
Average Daily Attendance	368	421	424	423	423	423	423
Average Daily Attendance (%)	95%	96%	97%	97%	97%	97%	97%
<b>FINANCIAL PROJECTIONS</b>							
Total Revenues Available for CSFP Payment	\$ 2,789,241	\$ 3,190,833	\$ 3,561,163	\$ 3,779,441	\$ 3,857,015	\$ 3,953,325	\$ 4,048,549
Total Expenses Paid Before CSFP Payment	2,599,383	3,126,190	3,219,659	3,636,007	3,789,382	3,945,671	4,067,919
Accounting Adjustments	4,171	27,486	7,424	7,598	181,924	214,326	213,112
Net Revenues Available for CSFP Payment	\$ 194,029	\$ 92,129	\$ 348,927	\$ 151,032	\$ 249,557	\$ 221,980	\$ 193,741
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,219	\$ 161,219
Net Revenues After CSFP Payment	\$ 194,029	\$ 92,129	\$ 348,927	\$ 151,032	\$ 249,557	\$ 60,761	\$ 32,522
<b>FINANCIAL INDICATORS</b>							
Net Revenues Available for CSFP Payment	\$ 194,029	\$ 92,129	\$ 348,927	\$ 151,032	\$ 249,557	\$ 221,980	\$ 193,741
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	137.7%	120.2%
Contributions	\$ 225,485	\$ 234,370	\$ 238,726	\$ 203,574	\$ 203,963	\$ 205,140	\$ 205,948
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	10.4%	-7.6%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	4.1%	4.0%
Contributions / Revenues	8.1%	7.3%	6.7%	5.4%	5.3%	5.2%	5.1%
Net Revenues After CSFP Payment / Revenues	7.0%	2.9%	9.8%	4.0%	6.5%	1.5%	0.8%
Revenues / ADA	\$ 7,579	\$ 7,579	\$ 8,399	\$ 8,937	\$ 9,120	\$ 9,348	\$ 9,573
Expenses / ADA	\$ 7,064	\$ 7,426	\$ 7,594	\$ 8,597	\$ 8,960	\$ 9,711	\$ 10,000
Surplus (Deficit) / ADA	\$ 516	\$ 154	\$ 805	\$ 339	\$ 160	\$ (363)	\$ (427)
Net Working Capital	\$ 1,445,357	\$ 1,077,358					
Net Working Capital / Expenses	55.6%	34.5%					

Staff's financial review of OCS is based on three years of audited financial statements (2010-11 through 2012-13), OCS' 2013-14 unaudited actuals, and multi-year financial projections for 2014-15 through 2017-18 as provided by OCS. OCS' financial projections are based upon the following assumptions: (1) project occupancy in 2015-16; (2) Stable enrollment projections as described above (under "Enrollment and Retention Rates"); (3) projected ADA rates of 97%, which correspond with OCS' historical ADA performance; (4) 2014-15 funding rates per the Local Control Funding Formula (LCFF) of 6,721 per ADA (5) LCFF gap funding of 28.06%, 29.56%, 19.50%, 19.50% in 2014-15 through 2017-18, respectively; (6) COLA to salaries of 3.0% for each of the projected years.

**Contributions:** Based on discussion with OCS' Director of Operations and OCS' accounting and financial services contractor, ExED, the projected contributions included in OCS' multi-year financial projections represent contributions through fund raising and grants, the majority from parent contributions through fund raising, with the assumptions that OCS raises sufficient funds each year to cover the costs of student field trips and fund-raising and approximately \$30,000 of its contributions each year will be available for operations. Although OCS received contributions of only \$579 and \$70,396 during its first two years of operations, 2005-06 and 2006-07, respectively, during 2011-12 and 2012-13, OCS received contributions of \$225,485 and \$234,370, respectively. The most recent school year, 2013-14, OCS raised \$238,726 from fund raising and grants. Based on its multi-year financial projections, OCS anticipates average annual contributions of \$205,000 for 2014-15 through 2017-18, respectively. For the projected years, contributions represent between 5.1% and 5.4% of revenues. Given that, for the past two years, OCS has received an average of approximately \$230,000 per year in contributions, Staff considers OCS' projected level of contributions to be reasonable.

**Long-Term Liabilities:** OCS' only long-term liabilities are associated with the CSFP facility.

Financial Performance: OCS recorded net revenues of \$310,861 on revenues of \$2.60 million and expenses of \$2.29 million in 2010-11. Operations for 2011-12 resulted in net revenues of \$505,855 on revenues of \$3.11 million (including \$315,997 in CSFP grant proceeds) and expenses of \$2.60 million. For 2012-13, OCS recorded net revenues of \$64,643 on \$3.19 million in revenues and \$3.13 million in expenses. For the most recent 2013-14 year, based on OCS' unaudited actuals, OCS is anticipating net revenues of \$341,504 on \$3.56 million in revenues and \$3.22 million in expenses. As of June 30, 2013, OCS had an ending fund balance of \$1.28 million.

For 2014-15 and 2015-16 (first year of occupancy), OCS anticipates net revenues of \$151,032 and \$249,557, respectively. For the first two years of CSFP payments, 2016-17 and 2017-18, OCS anticipates net revenues of \$221,980 and \$193,741, respectively, prior to the annual CSFP payment.

Projected Debt Service Coverage of CSFP Payments Assuming a 3.0% interest rate and 30-year repayment period, as well as a project cost of \$6,139,930, OCS' annual CSFP payment will be \$161,219 beginning in 2016-17, one year following expected occupancy of the project. OCS' CSFP payment is anticipated to represent 4.1% and 4.0% of OCS' revenues during 2016-17 and 2017-18, respectively, which is within the preferred maximum range of 10-15%. OCS' available net revenues of \$220,980 and \$193,741 for 2016-17 and 2017-18, respectively, will provide debt service coverage of 137.7% and 120.2% for these years. During the first two years of CSFP payments, OCS would be able to sustain a reduction in contributions of only 16% and still meet the Program's minimum 100% debt-service coverage requirement. Hence, OCS is reliant on contributions to meet the Program's debt service coverage requirement. However, if OCS were to achieve its average level of contributions of \$230,000 for the past three years, OCS would still meet the Program's debt service coverage requirement. Given OCS' record of contributions for the past two years, OCS' substantial anticipated fund balance, and OCS' conservative assumptions regarding COLAs to revenues, Staff believes that OCS is able to afford its CSFP obligation and that this obligation will not reduce its flexibility to fund unforeseen costs during the term of repayment.

Liquidity – Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. OCS' NWC for 2011-12 and 2012-13 was \$1.45 million and \$1.08 million, respectively, representing 55.6% and 34.5% of total expenses for these years. Staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient. On June 30, 2013, OCS reported holding \$409,251 in cash.

**Strengths, Weaknesses and Mitigants**

- + OCS has projected debt service coverage of 137.7% and 120.2% for 2016-17 and 2017-18, respectively, the first two years of CSFP payments.
- + OCS met its API growth targets for each of the past four years and but not all AYP criteria for four of the past four years. Based on its 2012-13 base API score, OCS ranked 8 out of 10 statewide and 10 out of 10 among similar schools.
- + OCS has reached stable enrollment in grades K-8 and doesn't anticipate material changes in enrollment levels.
- +/- OCS relies on private contributions to meet its CSFP obligation. Nonetheless, for the past two years, OCS has achieved average annual contributions of \$230,000, which would be sufficient to meet the Program's minimum debt service coverage requirement.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that OCS is financially sound for the purposes of the Charter School Facilities Program Final Apportionment. This determination as it relates to Final Apportionment is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon OCS electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.